



## PUC approves big rate hike

Amid the jeers of protesters yelling, "Hell, no, we won't pay!" California regulators unanimously approved electricity rate increases of up to 46 percent Tuesday to head off blackouts this summer and keep the state's biggest utilities from going under.

The increases -- approved 5-0 by the Public Utilities Commission -- are the biggest in California history and take effect immediately for the 25 million people served by Pacific Gas and Electric Co. and Southern California Edison Co.

"The PUC has done all it can," commission president Loretta Lynch said. "We have fought back hard in every venue possible against these unjust energy prices."

Jason Zeller, an analyst for the state Office of Ratepayer Advocates, said Tuesday that such a hike would be by far the largest in state history.

Harvey Rosenfield, president of the Foundation for Taxpayer and Consumer Rights in Santa Monica, said "We are being held hostage by a handful of energy companies that, under deregulation, got control of our electricity supply. Until our elected officials start acting to protect us, we are going to be at their mercy, at the mercy of this rip-off."

Residents already pay on average \$65 a month for electricity -- 7.2 cents per kilowatt hour to Southern California Edison and 6.5 cents per kWh to Pacific Gas and Electric Co., the state's two largest utilities.

Lynch's proposal would mean a 42 percent increase for Edison customers and 46 percent for PG&E customers for electricity.

Spokesmen for both utilities say it's impossible to calculate how much Lynch's plan would cost customers because the impact of the tiered system is not yet clear.

Davis has repeatedly said he is not in favor of electricity rate increases. But in a speech Monday, Davis said he didn't have the power to order the PUC, an independent body, to maintain current rates.

"It's still my expectation that we can work within the existing rate structure," Davis said. "As governor, I have not decided there should be a rate increase, and as governor, I have not decided that tiered pricing makes sense."

Davis has appointed three of the five PUC commissioners.

"The generators should be forced to take lower prices," said Michel Florio, a senior attorney for The Utility Reform Network, who added that the state should use its powers of eminent domain to seize the power plants and run them itself.

"If the governor isn't willing to seize the power plants, then maybe we will," Florio said, adding that TURN and other consumer groups are considering initiatives to remedy the state's failed attempt at deregulation.

### CalISO Calls Stage 2 Power Alert

The California Independent System Operator called a Stage 2 power emergency Tuesday due to the loss of about 1,100 megawatts of electricity imports from the Pacific Northwest, an ISO spokesman said.

The Pacific Northwest is experiencing drought conditions that have severely limited the region's ability to generate hydroelectric power. The region is one of the main sources of imported power for California.

California has about 10,500 MW off the grid, the spokesman said. It wasn't immediately known when conditions would improve.

A Stage 2 alert means power reserves in the state are below 5%.

### Rate hike prompts calls for state to seize plants

In his State of the State speech in January, Gov. Gray Davis said the state could seize power plants if its energy crisis worsened.

Critics now say it's time for the governor to make good on that threat, with electricity rates for millions of customers soaring and blackouts forecast for summer.

"I don't think there is any other alternative," Harvey Rosenfield, president of the Foundation for Taxpayer and Consumer Rights in Santa Monica, said Tuesday. "We can't continue to pay the prices charged by this energy cartel."

A Davis spokesman said the governor is no closer to invoking eminent domain than when he broached the idea in his address.

"It is a disastrous idea and something the governor would only explore as a last resort," spokesman Steve Maviglio said. "Everything we have done to date has been to avoid that action."

The state would have to pay a fair price to companies that bought plants from SCE, PG&E and SDG&E. The investor-owned utilities were forced to sell their generating assets under the state's 1996 deregulation law.

Some of the companies that bought them paid hundreds of millions of dollars to enter California's deregulated market.

Charlotte, N.C.-based Duke Energy Inc., for example, spent \$501 million for three power plants.

"All we have said about eminent domain before is if, in fact, they exercise it, we would vigorously defend our interests," Duke spokesman Tom Williams said.

"The market value for our plants is very expensive -- very expensive."

Critics have accused out-of-state energy companies of price gouging. The Federal Energy Regulatory Commission has asked suppliers to justify \$124 million in sales during the first two months of the year or refund the money.

Despite the potential public appeal of using eminent domain, it might not be practical, experts said Tuesday.

The price of buying the plants and operating them afterward could cost the state more than it would save by producing its own power, said Jim Powers, a Los Angeles attorney who has worked for Edison on eminent domain issues.

"The real problem ... who would be paying for it," he said. "And how do you run them?"

Such action also could prompt costly and lengthy legal action as power companies tried to hold onto their assets or fight for greater compensation, he said.

The state also would have to file a court motion and post a bond equal to the plants' estimated worth -- including any future profits lost by the owners.

The state then could take over the plants in as little as 90 days, pending legal challenges. The final price for the plants could be decided in court.

"It would be a battle of the appraisers," Powers said.

### **California lawmakers probe high natural gas prices**

Natural gas costs six times more in California than in neighboring states, leaving residents worried about paying their bills and businesses struggling to recoup the high costs without losing customers, lawmakers were told Friday.

The testimony came at a hearing opening the Assembly's investigation of the state's soaring natural gas prices, including whether market manipulation helped drive up costs and worsen the state's energy crisis.

Pacific Gas and Electric Co. customer Gladys Cook of Sacramento told the committee her natural gas bill rose from about \$47 or \$57 a month last year at this time to \$344 in February and \$112 this month.

Natural gas that sells for \$5.25 elsewhere sells for nearly \$30 at the California border, said Assemblyman Darrell Steinberg, chairman of the Assembly Energy Oversight Subcommittee.

"We're going to examine every possible reason for the price spike," he said.

The soaring prices are especially worrisome to growers who use natural gas to heat greenhouses in winter so they will have garden plants to sell in the spring, said Mike Vu-

kelich, founder of the Color Spot Nurseries of Northern California.

Vukelich said his gas bill rose from about \$518,000 a month to more than \$1 million for six nurseries. His company sells to large chain stores, such as Target, Walmart and Home Depot, that won't pay more, he said.

The cities of Los Angeles and Long Beach each filed lawsuits this week, accusing several gas companies of conspiring to drive up prices by limiting supply.

And Sweetie's, a San Francisco bar, filed a class-action lawsuit Friday accusing several natural gas companies of manipulating California's natural gas market to unfairly drive up prices.

The lawsuits say Southern California Gas Co., San Diego Gas and Electric, El Paso Natural Gas Co., Sempra Energy, El Paso Corp. and affiliated companies decided in a Phoenix hotel room in 1996 to block construction of gas pipelines that could have helped the state avoid its power crisis.

Rick Morrow, vice president of customer service for Southern California Gas Co., denied executives at the Phoenix meeting with El Paso Gas representatives were conspiring to drive up gas prices.

Morrow said his company's customers are seeing far less of an increase in gas prices because SoCal Gas has long-term shipping contracts.

The collusion allegations are being probed by state Attorney General Bill Lockyer, who is also looking into high electricity prices.

Lockyer this week told state senators he has subpoenaed several documents from power suppliers; he said he could not share those records with lawmakers.

The state Senate plans hearings next month to investigate whether electricity suppliers withheld power to raise prices.

### **President says price caps could worsen energy crisis**

The electricity price caps sought by California's Gray Davis and other Western governors would worsen the region's energy crisis instead of helping cure it, President Bush said Tuesday.

"Price controls do not increase supply, and they do not encourage conservation. Price controls contributed to the gas lines of the 1970s, and the United States will not repeat the mistake again," Bush said in a speech to the Kalamazoo Chamber of Commerce.

"We will solve the energy problem by freeing the creativity of the American people to find new sources of energy and to develop the new technologies that use energy better, more efficiently and more cleanly," he said.

Davis and several other Western governors have been urging the Federal Energy Regulatory Commission to impose caps to limit skyrocketing wholesale electricity prices.

### **Rate hikes cheer California utility investors**

The prospect of substantially higher electricity rates in California sent a charge through Wall Street on Monday as investors snapped up the long-suffering stocks of the state's two largest utilities.

Edison International's stock surged \$3.35, or 30 percent, to close at \$14.55 while PG&E Corp.'s shares gained \$3.10, or 29 percent, to close at \$13.75.